AN EVALUATION OF THE MCKNIGHT
LOAN INCOME SINGLE PARENT LOAN PROGRAM:
SECOND YEAR

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June 1987

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ACKNOWLEDGEMENTS

We appreciate The McKnight Foundation's continuing interest in the condition of low-income, working single parents and their families. Their sustained support for this important experiment--to explore ways of assisting low-income, working single parents through a loan fund--is acknowledged as a genuine contribution.

The evaluation study, funded by The McKnight Foundation and the Center for Urban and Regional Affairs, depended on the help and information provided by a large number of persons. We mention a few.

Carol Berde, senior program officer of The McKnight Foundation, was crucial to this project. She provided administrative assistance, access to timely data, and astute observations on the experiences of implementing the loan program. Her leadership made possible the McKnight conference, Struggling for Self-Sufficiency on Low Wages, to discuss findings of the first year's evaluation.

The following graduate students in the School of Social Work, under the able supervision of doctoral student, Mary Ann Reitmeir, provided indispensable information from their interviews with participants in the loan program. We appreciate the excellent work of Susan Hoffert, Joanne Fladwood, and Kris Wilner. Additional assistance was provided by Sandra Johnson and Lisa Mattson.

Background information on institutions and programs that touch the lives of the loan participants was provided by several persons. We appreciate their contribution, especially that of Mark Kleczewski, senior program evaluation specialist, Minnesota Department of Human Services.

We especially appreciate the observations and assistance of the loan coordinators, the volunteer loan committees, and the panels of loan recipients who shared details of their struggle for economic independence.

The support of the School of Social Work and the Center for Urban and Regional Affairs has been unwavering throughout the two years of this evaluation study.

Mary Kaye Weller and Chris McKee were tireless in their secretarial efforts to produce a final copy of this report. We thank them for their cheerful cooperation.

The interpretative content in this report is solely the responsibility of the co-investigators of this study.

HIGHLIGHTS

- An interest-free loan program for low-income, working single parents was launched in 1984 by the McKnight Foundation. In this first year, loans at a maximum of $500 to be repaid over a twenty-one month period, were available within flexible guidelines. Two inner-city agencies administered the program, CHART in Minneapolis, and PAT in St. Paul. Five-hundred and twenty-three loan recipients, chiefly Black single parents, whose mean annual income was $8,148, participated in the first year's program. (The first year's evaluation is available from The McKnight Foundation.)
- A second year for the loan program was initiated in September 1985 with a total of $396,000 set aside for an expanded project: two suburban locations were added to the existing sites in Minneapolis and St. Paul (Community Action Council, Dakota County; and Community Emergency Assistance Program, northern Hennepin County).
- The following summary is derived from data gathered from the evaluation of the program's second year, September 1985 to August 1986. In the course of that year, there were 1,477 loan applicants, of whom 97 percent were women. Eight-hundred and thirty-seven single parents received loans of whom 805 were women.
- The programs were administered in the mode set by the first year. Loan coordinators with anonymous loan committees, broadly representative of persons familiar with low-income single parents, met every two weeks to screen, select, and approve loans. Vigorous information and referral activities were mobilized to respond to those denied loans. Among factors considered for loan decisions, the following

were noted: attachment to jobs, training, or job searches; the pattern of indebtedness; the availability of some discretionary income; the nature of the loan request; the seriousness of the job search in the case of unemployment; and extenuating circumstances. Assessments of authenticity of the loan applicant's situation were frequently justified by the "street smart" wisdom of the loan committee, backed up by information the loan coordinator gathered in the loan application; and some verification, flexibility remained a guideline.

- Those receiving loans, both urban and suburban, shared many similar characteristics. The relatively young cohort were women of child-bearing age (late 20s and early 30s) with not more than two children. A significant portion had only one child. One-third of the children in the single parent families were pre-school age and 27 percent were adolescents. Overall, the recipients were well-educated, only a small proportion had not finished high school. Generally, this cohort is a highly mobile group of renters: 58 percent were new arrivals to their neighborhoods. More than half had not lived at their current address for more than eighteen months. Only a small number were homeowners.
- Differences in race, marital status, educational status and employment patterns between urban and suburban recipients were noted: over three-fourths of suburban recipients were white; over half of urban recipients were Black. Almost half of urban recipients were "never married" whereas more than half of suburban recipients were divorced. Almost a quarter of suburban recipients had a two-year college or vocational-technical degree, compared to 13 percent of urban recipients.

- Sixty-eight percent of the loan recipients were employed (generally, the remainder were in training or in a job search) and the types of employers were similar for both groups (service institutes such as hospitals and nursing homes); business and personal services (such as restaurants); financial (such as banks, real estate, and insurance); and sales A high proportion were employed as typists and clerks. Over half of both groups had been in their present employment for less than a year. Differences for urban and suburban were noted in that "aide" jobs were prevalent for urban recipients and "waitressing" for the suburban group.
- Urban recipients had a total annual income of $9,636 compared to $10,200 for the suburban group. While family income was patched together from a variety of sources for both groups, one distinction was in the amount of child support: one-third of suburban recipients could count on some child support, whereas only 16 percent of the urban group could do so.
- Suburban recipients could count on slightly more income from employment and assistance from a housing subsidy (44 percent for suburban and 30 percent for urban).
- Both groups had a substantial linkage to AFDC but urban recipients relied more heavily on this source. Food stamps also provided assistance but urban recipients received slightly more income from this supplement.
- Loans (see attached Figure 1) were chiefly transporation, housing, and utility related. Three-fourths of the suburban purposes were for cars or related expenses.

- The average repayment rate was 46 percent, however distinct differences were noted between urban (39 percent) and suburban (60 percent).
- For those denied loans, the typical profile was one of being younger, never married, and having less income than the loan recipients. A pattern of persistent indebtedness and crisis-laden household economies were generally indicative of the inappropriateness of a loan and the need for other community resources.
- The upsurge in loans was trigger in the inner-city by Christmas holidays, the opening of school for children, and the end of the moratorium on utilities shut-offs on April 15th. The trigger for suburban recipients appeared to be the registration dates for AVTI and news of rehires and new openings in business enterprises.
- Generally, urban recipients had fewer resources available within the agency and within the community than suburban participants.
- The value of a loan fund as a community resource for low-income, working single parents received a very high and enthusiastic endorsement from both urban and suburban participants.
- The presence of housing assistance appears to be an important difference among the "copers" (repaying at least 50 percent of the loan); the "at risk" (repaying less than 50 percent); and those "going under" (unable to repay any part of the loan).
- Transportation was a crucial need and the availability of a loan for this purpose appeared to be pivotal in seeking, achieving, and maintaining a job, especially for suburban participants.

Three levels of strategies are recommended to respond to the pervasive needs of this cohort who are working but unable to derive sufficient wages to support their families.

FEDERAL

At the federal level the erosion of the "family age" and the problems and predicaments of "hunting and gathering" are serious issues. Searching for various streams of supplementation is an arduous balancing act. (Child support, which is often unstable, may eliminate eligibility for food stamps; income above $10,000 for a mother and one child will eliminate help from AFDC with its resource of Medicaid.) AFDC should be "unhinged" as a supplementation to low-paying jobs. Children's allowances, strengthened child support, and a national health plan are among the federal strategies to be pursued. Uses of the tax structure and increasing eligibility for in-kind benefits are important directions to pursue, as well.

STATE

At the state level, several initiatives were taken in the last legislative session. A task force to follow this cohort and the interactive effects of various sources of supplementation to ensure that a slight rise in wages does not create unintended penalties, is in order. Housing assistance is a particularly urgent agenda item for the state.

LOCAL

- Loan funds should be established in various settings: multi-purpose agencies, AVTIs, and, most importantly, at work sites. A new perspective on the role of the workplace in the social protection system is long overdue. If the demand for low-income labor is as unremitting as predicted, then loan funds for transportation, housing, utilities, and other crises that could disrupt the attachment to work, are in order. In a policy sense, the corporate sector should investigate this as the cost of doing business, an item that is frequently used to justify expenditures for cars, apartments, etc., for executive employees.

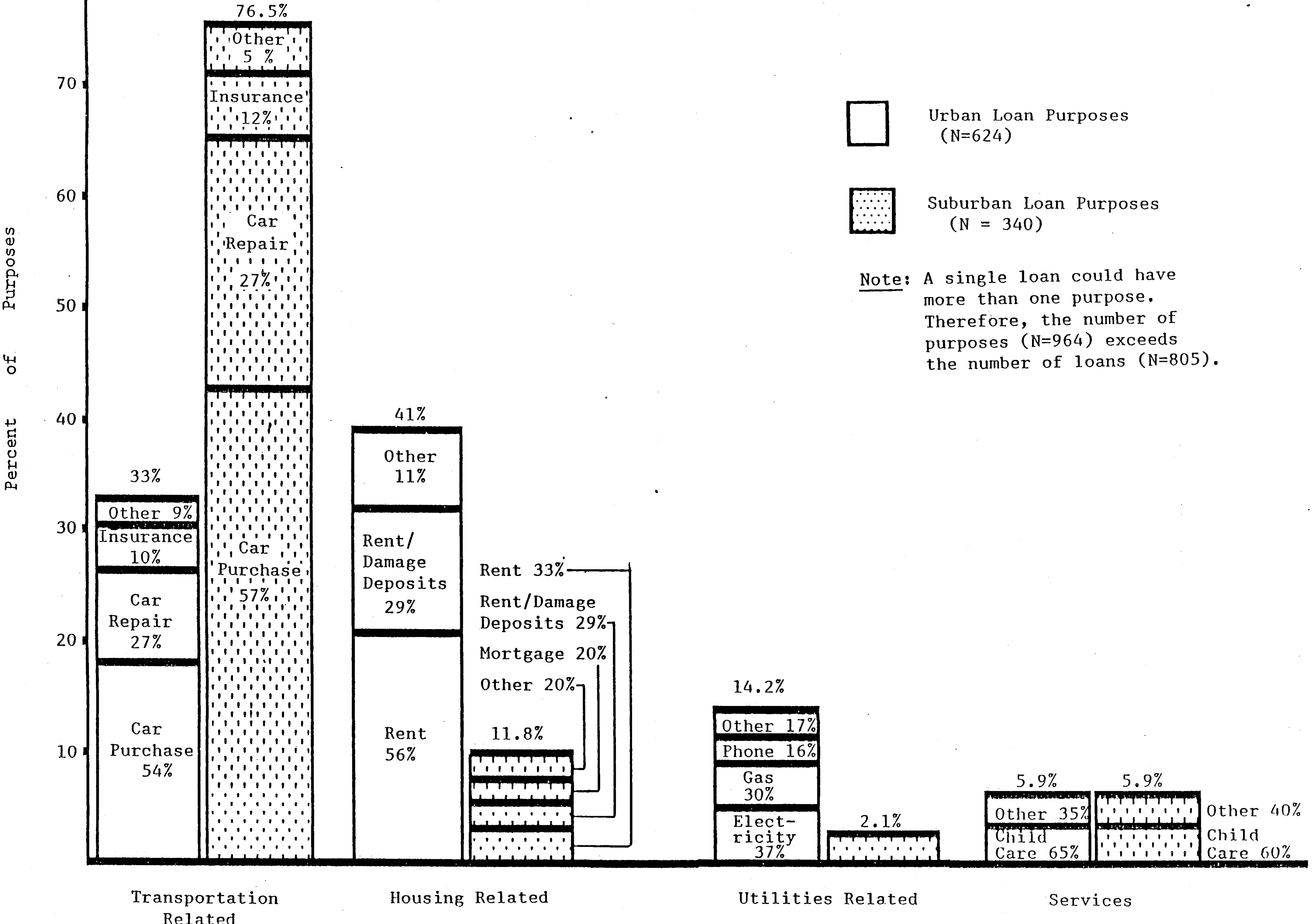
- A representative panel for the anonymous loan committee might include, in addition to client representation and social agency personnel, persons from the corporate sector, particularly banking and insurance, where a significant portion of the cohort of single parents work.
- Criteria for loans will continue to be refined. A category of deferred loans should be initiated. In some circumstances, completing school for example, the first year of employment is usually debt-ridden. In the second year, repayment may be more realistic.
- The availability of a grant program to respond to those in a deteriorating economic condition is indispensable.
- Procedures, modification of eligibility, sources of additional financial assistance, changing program eligibility (housing, food stamps, etc.) are in dynamic change. A regular meeting of coordinators should be instituted, perhaps every six weeks.
- Self-help workshops for loan participants to exchange information and for mutual support should be oranized.
- Transportation will need both short and long term solutions: donations, stipulating the car to the custodial parent in a divorce settlement, cooperative reconditioning centers, and leasing arrangements authorized by the workplace are all ideas which deserve exploration. A task force to study these issues is in the process of being formed, and this should be pursued.
- The development of a credit union should be explored.

Finally, working at low wages may be the only realistic alternative to public assistance, but it is clear that monitoring what happens to these families and the role of the workplace in accepting some responsibility for assisting these families is vitally important.

Despite intimidating barriers, this cohort is highly motivated and their work ethic is intact. Supplementations to their wages should be efficient and trouble-free. Further, a loan program, as pioneered by the McKnight Foundation, is an indispensable part of social and income protection for low-income, working single families.

Figure 1

PURPOSES OF LOANS



INTRODUCTION

In 1984, The McKnight Foundation launched an important project: an interest-free loan program for low-income single parents who were either in work training, in an active job search, or working. The program was structured on the premise that life is full of random events that could plunge a family living on a marginal income into crisis. The loans were to be available at critical times and the program was designed to be responsive to a variety of applicants' situations.

During the first year, interest-free loans at a maximum of $500, to be repaid over a twenty-one-month period, were available within flexible guidelines.*

Loan decisions were made by anonymous, volunteer committees at each of the agencies operating the program. A loan coordinator was designated from each agency's staff to manage the program.

An evaluation was initiated to determine the role a loan fund could play in enabling low-income single parents to obtain and retain employment when a crisis erupted that could affect their economic and family stability.

The evaluation of the first year of the program,[1] in which the loan participants were chiefly black women working in jobs yielding marginal incomes, revealed a cohort of single parents struggling to maintain self-sufficiency with a patchwork of income assistance.

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*For the first year, the program was lodged with two community agencies serving, chiefly, inner city residents: CHART in Minneapolis and PAT (Putting it All Together) in St. Paul.

[1]For details of the first year's evaluation, see Appendix 1: Highlights of An Evaluation of the McKnight Low-Income Single Parent Loan Program, July 1984 to August 1985.

The mean annual income was $8,148 for 523 loan recipients who participated in the first year's program. Wages, combined with AFDC, provided the bulk of their incomes. Food stamps, medical assistance, and housing assistance also contributed significantly to family incomes. Of interest is the strikingly low number (less than 10 percent) who received any assistance at all in the form of child support from the absent fathers of their children.

Loans were used for a variety of purposes, but transportation-related loans (42 percent) and housing-related loans (30 percent) were the most prevalent. Transportation was identified as a key item for retaining a job. Purchase of used cars, payments for car repair, and insurance payments were important needs. Without reliable transportation, parents were not able to maintain jobs, get their children to child care settings, and/or pursue training or job interviews. Assistance with housing expenses was also critical. Families faced repeated financial crises until their basic housing needs could be met at an affordable price.

The findings from the first year's evaluation opened up, in vivid detail, the realities of family income when the breadwinner works at the low end of the wage scale. Although repayment rates were modest, the loan program was generally regarded as a vitally important component of assistance to low-income wage-earning single parents.

In September 1985, The McKnight Foundation extended the program by adding two new agencies situated in suburban Hennepin and Dakota counties.[2]

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[2]Community Action Council (CAC), Dakota County,is a private, nonprofit, multi-service agency located at 14451 County Road 11, Burnsville, MN 55337; and the Community Emergency Assistance Program (CEAP), serving north and western Hennepin and Anoka counties, is a private, nonprofit, multi-service agency, located at 7231 Brooklyn Boulevard, Brooklyn Center, MN 55429.

The loan programs were continued at the original agencies in the inner cities of Minneapolis and St. Paul.

The findings of the evaluation of the second year of the McKnight Single Parent Loan Program are presented in this report.

THE CONTEXT OF THE SECOND YEAR'S PROGRAM

Growing out of the Foundation's long-standing concern for the disadvantaged, the Single Parent Loan Program was launched at a time when public policy attention was riveted on welfare reform which emphasized self-sufficiency through work for wages. Nevertheless, the Foundation chose to turn its attention to the cohort of single parents who were committed to work, had attachments to the labor force, but still remained poor. Local data from single parents disclosing the severe hardship imposed by the insufficiency of their income from paid work stirred the Foundation's interest in the concept of a loan program. This was reinforced by national and state data showing that earnings from work did not guarantee a life of economic stability, even at a low level, for single parent familes where the mother was the sole breadwinner. Several trends were identified. The economy was shifting to emphasize the service sector--a sector that produces a substantial number of jobs (41 percent of new jobs) paying less than $15,000 a year.[3]

Part-time workers constituted a steadily increasing portion of the labor force, and the lowest-paying portion of these jobs in the service sector were dominated by women. Over one-third of the increases in jobs in the financial, real estate, insurance, and retail industries went to women workers. These trends created a striking development: close to half of all working women were employed in industries paying an average wage less than the bare minimum of the poverty guidelines and considerably below that of the "lower budget" level set by the Bureau of Labor Statistics for a family of four. (In 1986,

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[3] The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy. A study prepared for the Joint Economic Committee by Barry Bluestone and Bennett Harrison, December 1986.

the official poverty line was $11,200 for a family of four; the "lower budget" income for a family of four, set by the Bureau of Labor Statistics was $18,473.)

At the same time, eligibility for social programs, such as food stamps, Medicaid, subsidized housing, and reduced prices on school lunches was tightened and access for the "working poor" was severely limited by the passage of the Omnibus Reconciliation Act in 1981 which initiated a major policy change: a significant reduction of the federal role in social welfare expenditures.

A substantial change in meeting the needs of low-income families occurred in the sharp reduction of certain incentives which had been part of the AFDC program. These incentives enabled women working at low wages to receive supplementation from that program.

While low-paying jobs were booming and government assistance was slipping away, the cost of living climbed. Housing and utility costs rose sharply, frequently outpacing the incomes of low wage workers. The struggle to maintain self-sufficiency was increasingly problematic.

The findings of the first year's evaluation, reflecting the consequences of these trends, confirmed the crisis-ridden economic circumstances of low-wage-earning single parents.

The context of the second year of the loan program remained unchanged. External indicators revealed continuing hardships.

In 1985, the number of families maintained by women continued to grow.[4]

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[4]National data were derived from Women Who Maintain Families, U.S. Department of Labor, Women's Bureau, Fact Sheet No. 86-2, 1986 and "Money Income and Poverty Status of Families and Persons in the United States: 1985" (advance data from the March 1986 Current Population Survey), Consumer Income, Series P-60, No. 154, U.S. Department of Commerce, Bureau of the Census.

Nationwide, more than 10.5 million families were principally supported by women who were divorced, separated, widowed, or never married. Half of this cohort, however, did not have earnings that could fully support their families, despite the fact that they worked at full-time jobs. Although there was some movement into professional and managerial jobs, employed women maintaining families in 1985 tended to remain, to a large extent, in jobs that were confined to traditionally female occupations that yielded low earnings: 77 percent were in non-professional occupations such as factory, plant, clerical, and sales jobs. In 1985, women represented 80 percent of all administrative support workers (clerical, secretarial, etc.) and comprised 69 percent of all retail sales and personal services workers. Women workers made little progress in 1985 in approaching earnings parity with men, even when they worked in similar occupations. Nevertheless, a strong commitment to the labor force persisted. More than half of single parent mothers with children under five years of age had jobs. When their youngest child reached school age, nearly 77 percent were in the labor force.

Perhaps the most striking phenomenon of 1985 was the persistent growth in inequality in family incomes. Families maintained by women in 1985 had a median income of $13,660, considerably less than half of that of the two-earner family, whose income rose to $36,431 in 1985.

Moreover, the racial factor in poverty continued unabated as revealed in the disproportionate number of Black families who remained poor. In the midwest region, in 1985, the median income of Black families headed by women was $9,305, significantly below the poverty level established for a family of four ($10,989) in 1985. Indeed, more than half of the families headed by Black women continued to subsist below the poverty level throughout that year. Attachment to the labor force did not guarantee a decent level of income for female-headed families. While working full-time enabled many families headed by Black women to escape life at the poverty level, a significant number, 35 percent, remained poor despite working fifty-two weeks a year. If part-time work was the pattern, almost 60 percent fell into the poverty category.

White female-headed households fared considerably better than their Black counterparts, with median incomes established at $15,825 in 1985, above the poverty level for that year, although not reaching the level of the Bureau of Labor's lower level budget. White female-headed families who worked full-time did not completely escape poverty, although their chances for doing so were almost three times better than that of their Black counterparts.

Children reared in single parent families were now solidly entrenched as the "new poor." Again, black children under age 18 were the most disadvantaged with more than two-thirds living below the poverty level. The substantial number of white children, 45 percent, subsisting below the poverty level in one-parent families brought the statistical profile of poor children in the nation into sharp relief. The brunt of poverty level family incomes falls on children.

In summary, in 1985, when the McKnight Loan Fund was continued for a second year, little movement toward an improved economic status for the families of working single parents could be perceived.

SUMMARY OF A CONFERENCE: STRUGGLING FOR SELF-SUFFICIENCY

Shifting the community's attention to a cohort of single parents who were working and still poor was the dominant theme of an all-day conference with seventy participants from the business, public, and nonprofit sectors, sponsored by The McKnight Foundation in January 1987.[5]

Five major themes emerged in both the formal papers and the discussion of issues:

- Full-time employment is not the same as self-sufficiency. The erosion of the wage sufficient to support a family, and the need for augmentation, was pressed as the dominant issue of the remaining years of this century.
- The changing labor market. Industries in the U.S. economy have come to depend on a secondary labor market and a supply of workers who will accept low wages and few benefits. The minimum wage at $3.35 an hour (enacted in 1981), which produces $6,968 as an annual wage, is below the poverty level and has not kept pace with the cost of living which has risen by almost 20 percent since 1981. With little political interest in raising the minimum wage, should the public sector fill the gap with entitlement programs that, in effect, subsidize corporate profits?
- The feasibility of finding solutions. The size of the cohort of working, low-income single parents in the metro area is estimated to

[5]For a complete report of the conference, see "Struggling for Self-Sufficiency on Low Wages: Report of a Conference to Discuss Problems of Low-Income, Working Single Parents," prepared by Margaret J. Bringewatt. (McKnight Foundation: January 15, 1987.) Copies of this report are available from the Foundation, phone 612/333-4220.

be roughly from 12,000-21,000. Realistically, it is both politically possible and in the public interest to find tangible responses to their income insufficiency.

- Employers must become aware of the needs of this group. The responsibility of employers in sharing in solutions must be encouraged. The tendency to view the workers in the secondary labor market as "disposable," needs to be corrected. The assumption that workers use poorly paid jobs as an adjunct to the wages of an existing primary worker needs to be challenged. The income needs of working single parents require sustained and heightened attention.
- Children are central. Children bearing the brunt of the stress and strain of poverty level family incomes, which also tend to be unstable, forces urgent attention to the overall theme of the conference: the consequences of unmet needs of those single parents struggling for self-sufficiency.[6]

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[6]Two papers on housing and health were prepared for the conference. Two editorials (in the St. Paul Pioneer Press & Dispatch and the Minneapolis Star & Tribune) and an article in the CURA Reporter, May 1987, disseminated information from the conference agenda.

DISTINCTIVE FEATURES OF THE SECOND YEAR: ADMINISTRATION AND OUTREACH

The second year of the loan program was initiated in September 1985 with a total of $396,000 set aside to be used for an expanded project. CHART, CEAP, and CAC were allocated $100,000 and PAT was allocated $96,000.

The McKnight Foundation continued a strong administrative interest in the project. A staff member maintained a close link to the coordinators of the programs, receiving monthly reports on loan approvals, denials, and repayments. Meetings were initiated, from time to time, to review the program's progress, clarify guidelines, and exchange information on community resource and management techniques (such as reminders of due dates for loan repayment).

Loan coordinators continued their role as administrators of the program: screening out those who clearly did not meet the criteria; making referrals to other community resources; preparing applications for loan committee decisions; reviewing and modifying outreach activities; and supervising data collection for reports. In the second year, both inner city agencies experienced considerable staff turnover. New coordinators were appointed by their agencies for a relatively fresh administrative staff for at least part of the second year.

The composition of the loan committees was broadly representative of persons with a knowledgeable understanding of low-income single parents and their communities. Cumulatively, the four programs selected persons from the staffs of community social service agencies (8); clients or former clients (5); public agencies (4); and volunteers active in low-income communities (2). Only one program had representation from the county human services agency which administers AFDC and a range of social services.

The loan committees maintained their anonymity, an important feature of the first year's experience. Generally, they met every two weeks to review eighteen to thirty applications.

Considerations in reviewing applications were as follows: disposable income, existing debts, the nature of the loan request, the availability of other community resources, and the individual's "motivation." "Extenuating" circumstances were also considered.

As the year went along, criteria were refined: requests for car-related loans and eviction notices received more intense scrutiny; whether or not a grant was more suitable than a loan, which implied ability to repay, was often a matter of discussion. Uniformly, volunteer committees came to unanimous decisions. However, discussion and background information provided by the coordinator was frequently part of the decision-making.

Denial of a loan was accompanied by referrals to other resources. The broad-based knowledge of resources in the community was an indispensable contribution of the loan committee. The appeals process was not formalized. Loan coordinators received the appeal requests and dealt with the anger and "fairness" issue on a one-to-one basis. Occasionally, those denied loans appealed to the Foundation directly but, routinely, each coordinator dealt with denials in a common sense way to preserve the integrity of the purposes of the loan program.

Two features distinguished the suburban from the urban agencies: CAC and CEAP (suburban) programs were lodged in large, comprehensive, multi-service agencies which had grant programs. From time to time, in the case of loan denials, referrals for financial crises were accomplished in a timely and efficient fashion. Second, resources for housing and child care were more available in suburban areas, with less waiting time in the "queue." Both urban agencies operated in the second year with a diminished pool of community resources; housing, child care, and the end of the moratorium on utilities shut-offs in the spring (April 15) created intensive hardship for loan applicants. Resources appeared to dwindle at a faster rate than in the first year. By the spring, housing assistance and child care subsidies had lengthy waiting lists. Emergency loan funds had disappeared.

Outreach efforts varied among the agencies. In Dakota County, CAC mounted a vigorous outreach effort. Memos were sent to the county social service agency and to community agencies; ministers of most churches in the area were notified by letter explaining the program; information on the loan program was given to agricultural extension agents. The coordinator attended township meetings in order to do outreach in areas of Dakota County that remain, to some extent, outside of the social service networks.

In Anoka County, CEAP distributed flyers in various mailings that go to low-income, single parent groups. Information was included in AFDC checks. Outreach strategies for suburban agencies were formulated to deal with the isolation of single-parent low-income families and their detachment from neighborhood networks of information.

In contrast, in the inner-city, with the presence of the programs already established, word-of-mouth was the chief vehicle of outreach for the second year. From time-to-time an announcement on KMOJ, a radio station that is located in an inner-city neighborhood, was made, but no systematic outreach was necessary. The volume of requests for loans indicated that the loan programs were familiar to community agencies and to the neighborhoods where information is disseminated by word-of-mouth.

Both inner-city agencies reported that their waiting lists were long, that the need was pervasive, and that there was an unknown, but very large number, who could be eligible for the loan project. But the finite resources of the loan program limited intake. Again, the deteriorating economic circumstances of a great many families known to both CHART and PAT were recounted.

There appeared to be a seasonal factor that triggered loan applications and differences were noted.

For the inner-city agencies, certain seasonal events appeared to predict an upsurge in loans: beginning school for children in the fall; holidays such as Christmas; the end of the moratorium on utility and heat shut-offs in the spring; and summer, when child care was an issue with the closing of schools.

With suburban agencies, the upsurge occurred because of the high number of applicants who were in education and training programs. The periods of increased loan requests were likely to coincide with the registration periods of AVTI courses.

Each agency developed its own policy on verification of applications in keeping with the intent of The McKnight Foundation to allow a broad measure of administrative discretion to each agency. Generally, a written verification of employment and housing status for a loan request in those categories was required. Assessing evidence of a serious job search for those who were unemployed was left to the judgment of the loan committees.

From time-to-time, verification was tightened up. For example, one agency required evidence of a police report when loans were requested to replace stolen paychecks or AFDC grant money. (While burglaries and thefts occurred in greater frequency in inner cities, these were also reported in suburban agencies as well.)

The agencies found it useful to exchange information on their verification process and to develop uniform checklists for that purpose.

METHODOLOGY

THE PURPOSE OF THE EVALUATION

The second year of the evaluation was undertaken to refine further the role of a loan fund in stabilizing the household economy of wage-earning single parents.

Four major questions shaped the evaluation study:

1. Under what circumstances can an interest-free loan program be of use to the low-income wage earner in maintaining financial stability? And conversely, under what circumstances is such a loan not useful?
2. Are there distinctive differences between inner city and suburban loan participants?
3. Are there administrative and organization features of a loan program that can facilitate its operation?
4. Can the data from the evaluation study suggest policy and program directions?

METHODS

The evaluation of The McKnight Foundation's Single Parent Loan Program was accomplished using standard survey research methods, including analysis of existing data collected by each of the four agencies participating in the loan program; follow-up telephone and in-person interviews with loan recipients; and interviews with each of the loan program coordinators, selected members of the loan committees, and agency administrators responsible for the loan programs. This evaluation includes the time period from September 1985 to August 1986, which was the second year of the program's operation in the two urban agencies (CHART and PAT) and the first year of the program's operation in the two suburban agencies (CAC and CEAP).

More specifically, data were collected from two primary records maintained by each agency for each applicant: the loan application and the loan worksheet. In addition, each applicant was asked to fill out an additional optional form developed by the evaluators which asked questions about a few demographic characteristics such as age, race, education, marital status, and sex, which were not included on the loan application and were not relevant to the decision regarding the approval or disapproval of the loan. Approximately 85 percent of all applicants chose to respond to this optional form.

It should be noted that 1,430 (97 percent) of the 1,477 loan applicants were women. The forty-seven male loan applicants (of whom thirty-two received loans) are excluded from the data reported throughout this evaluation. This study may appear at a later time. Table 1 presents a breakdown of the number of female applicants, the number of recipients, and the number denied loans by each of the four agencies, as well as the percentage of the total this number represents. The last row of Table 1 presents the percentage of applicants of each agency who received loans.

The urban agencies (CHART and PAT) received 60 percent of the loan applications, while the suburban agencies (CAC and CEAP) received 40 percent. The recipients of loans were distributed in approximately the same proportions, with 64 percent of the recipients coming from the urban agencies and 36 percent coming from the suburban agencies. However, individual agencies varied a great deal (from 40 percent to 73 percent) in terms of the percentage of loans granted.

TABLE 1

FEMALE APPLICANTS, LOAN RECIPIENTS, AND LOAN DENIALS BY AGENCY

	Suburban		Urban		
	CAC	CEAP	CHART	PAT	TOTAL
Applicants	209[1] (15%)	359 (25%)	377 (26%)	485 (34%)	1430 (100%)
Recipients	141 (18%)	144 (18%)	277 (34%)	243 (30%)	805 (100%)
Denials	68 (11%)	215 (34%)	100 (16%)	242 (39%)	625 (100%)
Percent of applicants receiving loans	67%	40%	73%	50%	56%

[1] First number = N, second number = (percent of total).

The second major source of data for this evaluation came from interviews. Approximately six to seven months following receipt of a loan, an attempt was made to contact each female recipient. No attempt was made to interview those denied loans. If located within a total of five or six attempts, at different times of the day, and on different days of the week, a twenty-minute telephone interview was conducted, if the recipient agreed, by a female graduate student from the University of Minnesota School of Social Work. (See Appendix 2 for the interview schedule.) These structured interviews contained both closed and open-ended questions, and generally requested information about the loan recipient's current status, important changes since receiving the loan, and reflections on the value of the loan and the loan program. Each woman who completed a telephone interview was paid $5.

Table 2 presents the number and percent of loan recipients who were interviewed from each of the four agencies.

TABLE 2

NUMBER AND PERCENT INTERVIEWED BY AGENCY

	Suburban		Urban		
	CAC	CEAP	CHART	PAT	TOTAL
Recipients	141	144	277	243	805
Interviewees	81	87	63	82	313
Percent interviewed	57%	60%	23%	34%	39%

The percentage of recipients located for an interview varied a great deal by program. Approximately the same percentage of loan recipients in the two suburban agencies were interviewed, but a much smaller percentage of recipients were located for interviews in both the urban programs. Very few women who were located declined to be interviewed. The majority of those not interviewed could not be reached because of disconnected telephones. A variety of other reasons accounted for not reaching and interviewing the remaining recipients. A substantial portion, particularly of the urban recipients, did not have phones. Other reasons were no answer after numerous attempts; wrong numbers; the recipient was unknown to whomever answered the phone; moved with no forwarding telephone number; and not being able to arrange a time for the interview. High mobility appeared to be reflected by the large numbers of urban "unreachables."

Interviews with loan program coordinators from each of the four agencies, with members of the loan committees, and with agency administrators responsible for the loan programs, provided additional useful information about the operation of the programs.

Finally, focused group interviews with two to four loan recipients from each of the participating programs were held at the agencies in late April 1987, to obtain additional information from selected loan recipients about their circumstances and their experiences with the program. Participants were paid $15 for this interview and an additional amount for child care, if required.

Various data from the sources described above will be presented primarily for loan recipients, but, when applicable, for those denied loans. Since one purpose of this evaluation is to determine if there are any important differences between the two urban (CHART and PAT) and the two suburban (CAC and CEAP) programs, the data will be presented to show these differences, when found.

FINDINGS

The following sections summarize the major findings of the evaluation of the second year of The McKnight Foundation's Single Parent Loan Program. Findings are organized as follows: loan recipients; those denied loans; the loans and repayment rates; information from those interviewed. When important, urban-suburban differences in responses will be noted.

CHARACTERISTICS OF LOAN RECIPIENTS

Demographic Characteristics

The following demographic characteristics were derived from the optional information sheet all applicants were asked to complete.

- Age. The mean age of all loan recipients was 31. The age of urban recipients ranged from 18-67, while the age of suburban recipients ranged from 18-54.
- Race. There were major differences in the racial composition of the urban and suburban loan recipients. Table 3 provides a detailed summary of the racial composition of all loan recipients, urban recipients, and suburban recipients. Over three-fourths of suburban recipients were white. Slightly over one-half of urban recipients were Black, compared to 14 percent of suburban recipients who were Black.

TABLE 3

RACE OF RECIPIENTS
(in percents)

	WHITE	BLACK	HISPANIC	AMERICAN INDIAN	ASIAN	TOTAL.[3]
All recipients (N=681 responding)	50.7	40.0	2.2	6.9	.1	99.9
Urban recipients[1] (N=429 responding)	34.3	55.2	2.3	7.9	.2	99.9
Suburban recipients[2] (N=252 responding)	78.6	14.3	2.0	5.2	--	100.1

[1] CHART and PAT
[2] CAC and CEAP
[3] May not equal 100 percent due to rounding.

- Education. Loan applicants were asked the highest level of education they had achieved. Only 13 percent of all recipients had less than a high school education (15 percent of urban recipients; 8.4 percent of suburban recipients). Approximately the same percentage (35-36 percent) of urban and suburban recipients reported high school or the GED as their highest level of education, and another 31 percent of both groups reported some post high school education not leading to a degree. More suburban recipients (23.6 percent) reported a two-year college or vocational-technical school degree than did urban recipients (13.6 percent). However, 3.5 percent of urban recipients, compared to 2.4 percent of suburban recipients were college graduates.
- Marital Status. Table 4 reveals some urban-suburban differences in marital status. The most prominant differences are in the percentages of never married and divorced recipients.

TABLE 4

MARITAL STATUS OF RECIPIENTS
(in percents)

	NEVER MARRIED	DIVORCED	SEPARATED	WIDOWED	TOTAL[3]
All recipients (N=681 responding)	37.6	41.0	20.4	1.0	100.0
Urban recipients[1] (N=429 responding)	42.4	34.0	21.9	1.6	99.9
Suburban recipients[2] (N=252 responding)	29.4	52.8	17.9	--	100.1

1 CHART and PAT
2 CAC and CEAP
3 May not equal 100 percent due to rounding.

Housing

At the time of application, women were asked when they had moved into their current residence. Approximately 58 percent of all loan recipients listed 1985 or 1986 as the year in which they moved to their current home, indicating a relatively short period of residency. Suburban recipients had lived at their current residence, on average, slightly longer than urban recipients in that 54 percent of suburban recipients (compared to 61 percent of urban recipients) listed 1985 or 1986 as the year they moved to their present home.

Although most recipients rented their houses, 16 percent of the suburban recipients (compared to 9 percent of the urban recipients) owned their homes.

Children

For both urban and suburban recipients, the average number of children was two. About 75 percent of all recipients had one or two children (71 percent of the urban recipients and 78 percent of the suburban recipients). Almost one-half (46 percent) of the suburban recipients had one child, compared to 35 percent of the urban recipients. For both groups, the average age of their children was slightly over eight years. Approximately one-third of the children of both urban and suburban recipients were of pre-school age (age five or younger), and 27 percent of the children were adolescents.

Employment

Overall, 68 percent of the loan recipients were employed. However, there was a difference between the employment rate of urban and suburban recipients. There was a 65 percent employment rate among urban recipients, compared to a 72 percent rate among suburban recipients. The types of employers were similar for both groups. In descending order, the four most common employers of urban recipients were service institutions (e.g., hospitals, nursing homes, public schools, day care, etc.), 30 percent; business and personal services (e.g., repair services, restaurants, cleaning services, temporary services), 25 percent; financial (e.g., banks, real estate, insurance), 11 percent; and sales, 9 percent. For suburban recipients, the five most common employers were: business and personal services, 38 percent; service institutions, 19 percent; manufacturing, 14 percent; sales, 9 percent; and financial, 9 percent.

Over one-half of both groups (53 percent of urban recipients and 63 percent of suburban recipients) had been with their present employer for less than one year.

The largest single type of job for both groups was typist (29 percent). Among urban recipients, the next most common position was a job as an aide (13 percent), and for suburban recipients it was waitressing (13 percent). About 10-11 percent of both groups were employed as clerks. All other job categories employed less than 10 percent of the recipients.

Urban recipients were employed an average of thirty-five hours per week and suburban recipients were employed thirty-four hours per week. About 50 percent of both groups worked less than forty hours per week and about 50 percent worked forty or more hours per week.

Training

At the time of the loan application, slightly under one-fifth of all recipients were in school or in a training program (17 percent of urban and 19 percent of suburban recipients).

Income

Table 5 presents various sources of income, the percentage of recipients receiving each source, and the mean amounts from each source. It is notable that only 16 percent of the urban recipients received child support, although almost one-third of the suburban recipients did. When asked how much child support they were supposed to receive, only 22 percent of urban recipients reported that they were to receive any. About one-half of those were supposed to receive $150 or less per month from the absent father. About 40 percent of the suburban recipients reported that they were <u>supposed</u> to receive child support. Of those, about half were to receive less than $200 per month. It is also interesting to note that income from earnings is almost the same for each group. Suburban recipients reported a total income of $47 more than urban recipients in the month prior to the loan application. Based on the total income figure for one month, urban recipients had an annual income of $9,636 compared to suburban recipients' annual income of $10,200.

TABLE 5

CASH INCOME OF LOAN RECIPIENTS IN MONTH PRIOR TO APPLICATION

	Urban (N=520)		Suburban (N=285)	
INCOME SOURCE	PERCENT REPORTING	MEAN AMOUNT	PERCENT REPORTING	MEAN AMOUNT
AFDC	54	$489	47	$477
Child support (received, not awarded)	16	188	32	224
Employment	60	687	67	692
Food stamps (cash equivalent)	52	112	42	101
Other cash	15	287	20	231
TOTAL INCOME	99.4	$803	99	$850

Income Supplements

Some type of child care subsidy was received by 16 percent of both recipient groups. However, there was a difference in the percentage of each group who received housing assistance. Housing assistance was received by 30 percent of urban recipients and 44 percent of suburban recipients.

The Mix of Employment and AFDC

Slightly over one-half of all suburban loan recipients were employed and not receiving any AFDC, compared to about 45 percent of all urban recipients. Among only the employed suburban recipients, approximately one-fourth (26 percent) also received AFDC. Slightly less than one-third (32 percent) of the employed urban loan recipients received AFDC benefits. The employment rate among both suburban and urban loan recipients who did receive AFDC was approximately 40 percent.

Expenses

Table 6 presents the average monthly expenses of urban and suburban loan recipients for the month prior to their loan applications. Most notably, rent or mortgage and utilities payments, as well as food costs, appeared to be somewhat higher for urban recipients. All other monthly expenses were higher for suburban recipients, including transportation and child care.

TABLE 6

MEAN EXPENSES OF RECIPIENTS FOR MONTH PRIOR TO APPLICATION

	Urban (N=520)		Suburban (N=285)	
EXPENSES	PERCENT REPORTING	MEAN AMOUNT	PERCENT REPORTING	MEAN AMOUNT
Rent/mortgage	99	$308	99	$259
Utilities	92	106	94	77
Food (including food stamps)	98	151	98	141
Transportation	82	43	94	91
Child care	33	118	46	263
Medical care	12	78	25	172
Insurance	29	41	65	91
Loan payments	35	89	53	146
Other expenses	51	143	30	290
TOTAL EXPENSES	99	$670	99	$682

Debts

A significant number of both urban and suburban recipients reported being in debt. For both groups, the most frequently mentioned debt was utility payments. Other less frequently mentioned but common debts were to landlords, store credit cards, and loans from friends and family members. Car payments and student loans were also reported as being in arrears, more so among suburban recipients than among urban recipients.

CHARACTERISTICS OF SINGLE PARENTS DENIED LOANS

Overall, 44 percent (N = 625) of the women applying for loans did not receive them. The rate of loan denials for the urban agencies was 50 percent, compared to 40 percent for the suburban agencies.

The women who were denied loans appeared to be different from the women who received loans in several ways. Overall, they were slightly younger (one to one and one-half years). Those denied loans by suburban programs were less educated, a higher percentage were never married, and fewer were divorced, compared to suburban recipients. These differences in marital status between recipients and those denied loans also were reflected in the urban programs.

A lower employment rate among those denied loans compared to loan recipients was a major difference in both urban and suburban programs. For the urban group, the employment rate was 11 percent lower (56 percent); in the suburban programs, the employment rate was 20 percent lower (52 percent). The types of jobs held were similar to those held by the loan recipients, and the number of hours worked per week was similar. Approximately the same percentage (15-20 percent) were receiving some training at the time of the loan application.

In both the urban and suburban programs, those denied loans had slightly fewer children, on average. This is possibly related to the slightly younger average age of those who were denied loans.

A major difference was seen in total incomes. In urban programs, the total income of denials was $740 per month, or $63 less than that of recipients. In the suburban programs, the total income of those denied loans was $741, or $109 less than the recipients. In general, those denied loans earned from $40 to $60 less per month than loan recipients. Income from AFDC was approximately the same. However, in the suburban programs, 58 percent of the denials, compared to 45 percent of the recipients, were AFDC recipients. In the urban programs, 63 percent of the denials, compared to 52 percent of the recipients, were AFDC recipients. Housing assistance was less prevalent among suburban denials, compared to recipients (31 percent to 44 percent), but the proportion of both receiving housing assistance in the urban areas was the same (30 percent).

The reported monthly expenses of those denied loans from urban programs were $611, or $59 per month less than the recipients. The monthly expenses of those denied loans from suburban programs were $693, which is, on average, $11 more than the suburban recipients.

In summary, it appears that the primary distinguishing features of those denied loans, compared to those who received loans, were a higher proportion of never-married women; a lower rate of employment; lower monthly incomes; and a higher proportion dependent on AFDC.

REASONS FOR DENIALS OF LOANS

More than one reason could be cited for the denial of a single loan. Therefore, the number of reasons for denial (N=843) exceeded the number of loans denied (N=625). For the urban agencies, the major reasons for loan denials were: credit application incomplete (36 percent); insufficient income (14 percent); did not meet eligibility standards (9.6 percent); and no evidence of self-sufficiency activity (9.6 percent). For the suburban agencies, the primary reasons for denial were: unable to verify income (15 percent); insufficient income (14 percent); excessive obligations (10.2 percent); did not exhaust other resources (10.2 percent); and did not meet eligibility standards (8.6 percent).

THE LOANS

Purpose of Loans

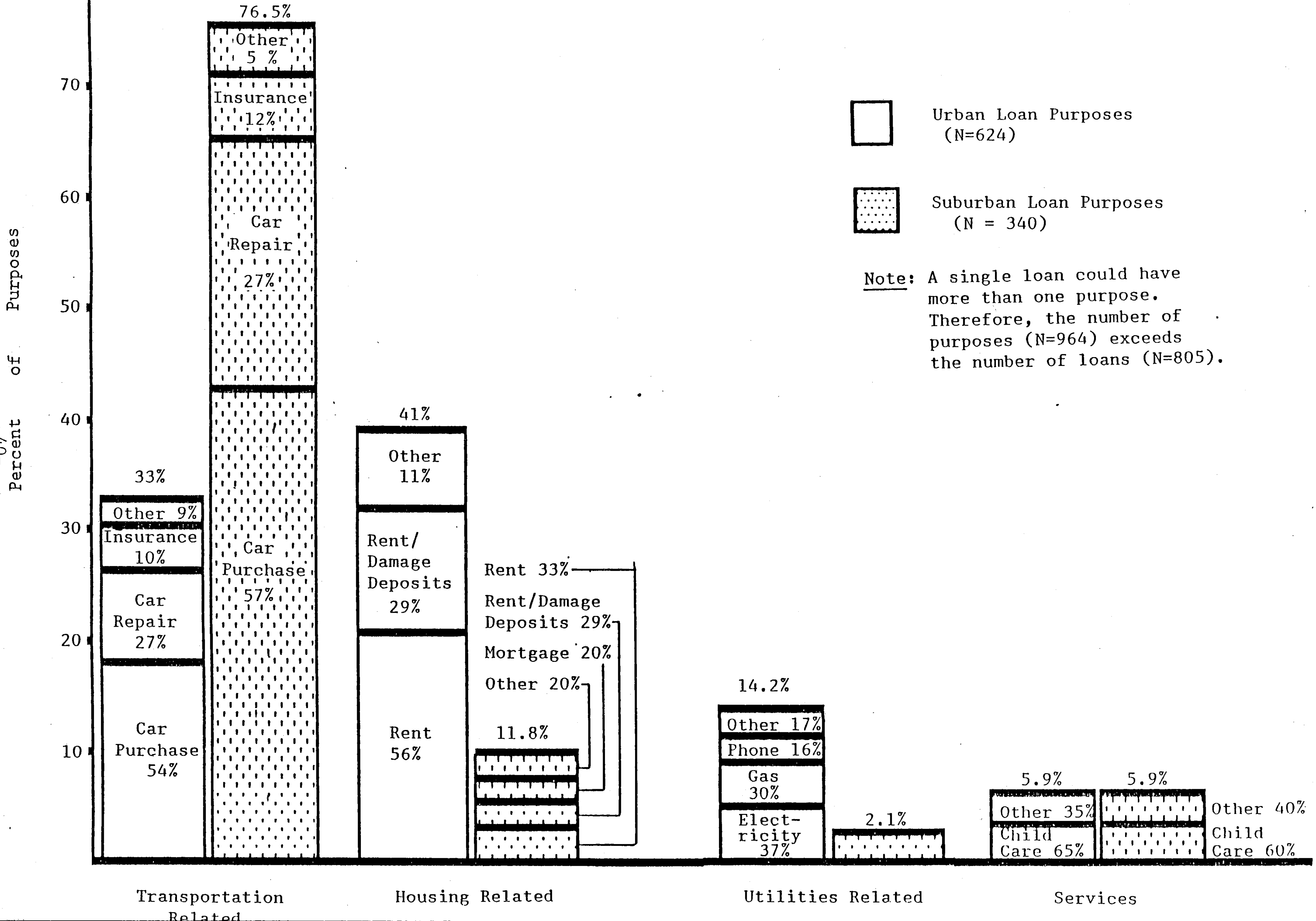
It was possible that a recipient could receive a loan for more than one purpose. For example, a loan could be granted partly for car repair and partly to pay a utility bill. Therefore, the total number of loan purposes (N=964) exceeded the total number of loan recipients (N=805).

For all recipients, 48.5 percent of the loan purposes were transportation-related (primarily car purchase and repair); 30.7 percent of the loan purposes were housing-related (primarily rent or damage deposits); and 10 percent of the loan purposes were related to utilities payments. The remaining 10 percent of the loan purposes were for services such as child care or medical expenses, for miscellaneous purposes, or for food or clothing.

Figure 1 depicts the categories of loan purposes for the urban and suburban recipients, and the differences between the two groups are evident. Slightly over three-fourths of the suburban purposes were transportation-related; about 12 percent were related to housing; and about 6 percent of the purposes were service-related. In comparison, no single category of loan purposes accounted for more than 50 percent among urban recipients. Housing-related purposes were predominant (41 percent), followed by transportation-related purposes (33 percent), and utility-related purposes (14.2 percent). The remaining urban loan purposes were fairly evenly divided between service-related and miscellaneous.

Figure 1

PURPOSES OF LOANS



Loan Amounts

The maximum loan generally was $800 for car purchases and $500 for all other purposes. The average loan granted to urban recipients was $381, and loans ranged from $20 to $850. The average loan granted to suburban recipients was $587, and loans ranged from $50-$1,126. The higher average loan to suburban recipients reflects the higher proportion of loans for purchases of cars.

Repayment Schedules

The number of monthly payments established to repay the loans varied. More than one-half of all urban loans were to be repaid in either eighteen or twenty-four months, with the mean number of months being eighteen. Almost all of the loans made by the suburban programs were to be repaid in twenty-four months.

The average monthly loan repayment amount was $21.40 for urban recipients and $25.12 for suburban recipients. The monthly repayment amount ranged from less than $10 to approximately $65 for both groups.

Repayment Rate

Given that this assistance for low-income, working single parents is structured as a loan, rather than a grant program, the extent to which the loans are repaid is of interest for several reasons. To some degree, the rate of loan repayment indicates the feasibility of this approach for assisting low-income, working single parents. In addition, the ability to repay the loan can be interpreted as one indicator that the loan is more of a stabilizing resource for certain individuals, rather than an additional burden of indebtedness.

The loan repayment rate for each recipient was calculated by determining the ratio of the amount of the loan which had been repaid to the amount which <u>should</u> have been repaid as of February 1987. For all recipients, the average repayment rate was 46 percent. However, there was a fairly large difference between the average urban repayment rate (39 percent) and the average suburban repayment rate (60 percent). More specifically, the average repayment rates by agency were as follows: CAC, 60 percent; CEAP, 61 percent; CHART, 41 percent; PAT, 36 percent.

Loan repayment rates were then grouped into three categories: women who had repaid 50 percent or more of their loans (the high group); women who had repaid 1-49 percent (the low group); and women who had repaid none of their loans (the no repayment group). Table 7 shows the percentage of urban and suburban recipients falling into each of these categories.

TABLE 7
LOAN RECIPIENTS BY REPAYMENT RATE GROUP

	URBAN	SUBURBAN
No (0 percent repayment)	37%	15%
Low (1-49 percent repayment)	28%	24%
High (50+ percent repayment)	35%	61%
TOTAL	100%	100%

The no repayment and the high repayment groups were examined to determine the prevalence of certain recipient characteristics within the group.

<u>For urban recipients</u>, the group making no loan repayments was largely composed of never-married women (45 percent), while the high repayment group

was largely composed of divorced women (44 percent). In terms of housing assistance, only 22 percent of the no repayment group were recipients, but 40 percent of the high repayment group received this assistance. A child care subsidy was received by 11 percent of the no repayment group, contrasted with 20 percent of the high repayment group.

Almost three-fourths (72 percent) of the no repayment group was employed, compared to 58 percent of the high repayment group. This confirms an earlier observation that income from employment alone does not produce discretionary income (i.e., income above that needed for basic human needs). This is also consistent with the positive relationship between income from AFDC and the amount of the loan repaid. In other words, the higher the AFDC benefit, with its related income supplements, the higher the loan repayment rate.

Among suburban recipients, 36 percent of the no repayment group, compared to 45 percent of the high repayment group, received housing assistance. A child care subsidy was available to 10 percent of those unable to repay any of the loan and to 16 percent of the high repayers. The employment rate pattern within the suburban repayment groups was somewhat different than the urban pattern. Those unable to repay any of the loan had a 66 percent employment rate, and the high repayers were somewhat more employed (71 percent). The debts of suburban recipients were noticeable in that 29 percent of the no repayment group was in debt to the landlords, compared to 18 percent of the high repayment group. In the no repayment group, 30 percent were behind in car payments; slightly under 25 percent of the high repayment group were behind in car payments. The no repayment group was evenly divided between those who were and were not on AFDC. The high repayment group was comprised of 44 percent on AFDC. This appears to reveal that the debts accrued in housing and transportation were key factors in ability to repay the loan.

DATA FROM RECIPIENTS INTERVIEWED

The Interviews

Of the 805 women who received loans, 313 (39 percent) were interviewed. The exact percentage of recipients interviewed from each agency appears in Table 2 in the methodology section. Of the urban recipients, 28 percent were interviewed, and of the suburban group, 59 percent were interviewed. Overall, there were some relatively small differences in the demographic characteristics of those reached for interviews, compared to all recipients, including the racial composition and marital status of urban interviewees and the level of education and income of all interviewees. While these differences in demographic characteristics should be kept in mind, those interviewed basically appear to be more similar to than different from recipients. However, the high rate of urban recipients who were unreachable does indicate a pattern of mobility and related instability among that group. Therefore, it is highly likely that the urban interviewees are less representative of all urban recipients than is the case of suburban interviewees compared to suburban recipients.

The Status of the Recipients at the Follow-Up (FU) Interview

Telephone interviews were conducted seven to eight months after receipt of the loan. The interviews were structured to ascertain the current situation of the recipients, to discover if major changes in their life situations had occurred, and to ask the recipients to reflect on the loan program and its role in stabilizing their circumstances.

• Housing and Family Group

Almost 80 percent of the interviewees were living in the same place as at the time of the loan (TOL). If there had been a move, all but a few had moved one time. About 85 percent of the women were renters; about one-half lived in apartments; and another third lived in houses. About 50 percent were satisfied with their current residence, about 25 percent were dissatisfied, and the remaining 25 percent were ambivalent about their current residence. Among urban interviewees, 86 percent felt their living arrangements were the same or better than at TOL, as did 91 percent of the suburban interviewees.

In 80 percent of the cases the interviewees reported that they were the only adult in their household. Of those who lived with another adult, most were "friends" or "roommates." A small proportion of the urban and suburban interviewees stated that the other adults in their households contributed to the household income. Approximately three-fourths of the interviewees lived with one or two children.

• Employment

A sizeable majority of urban interviewees (70 percent) and suburban interviewees (68 percent) reported that they were working at the same job as at TOL. The wages of about 25 percent of the urban interviewees (and 31 percent of the suburban interviewees) had increased since TOL. While few of the urban interviewees reported wage decreases, 17 percent of the suburban interviewees did. A change in the number of hours of employment since TOL was reported by 20 percent of the urban interviewees (16 percent increased hours) and 27 percent of the suburban interviewees (10 percent increased; 16 percent decreased hours). For those who had left their TOL jobs, the primary reason given was to get a better job.

Almost one-half (46 percent) of urban interviewees reported being employed at their current jobs less than one year, as did 53 percent of the suburban interviewees. Between 70 and 80 percent of the interviewees had been at their current jobs two years or less.

About two-thirds of the unemployed interviewees stated they were not currently looking for a job. Typically, women were not looking for a job because of their health problems, or disability, or the health problems of their children. An equally common reason was that the woman was enrolled or about to be enrolled in school or in a training program. This appears to explain the slight decrease in the rate of employment for all interviewees from TOL to FU.

Of those in a job search, few felt their search was going well. Over three-fourths said their search was going "so-so" or badly, but only 25 percent reported being discouraged about job prospects. Virtually no unemployed interviewee was receiving unemployment benefits.

- <u>Training</u>

Approximately the same percentage of urban and suburban interviewees were involved in a training program as at TOL (slightly less than 20 percent).

- <u>Income</u>

At the time of the follow-up interview, the average income of urban recipients ($832) was virtually the same as it had been at TOL, while the average income of suburban recipients ($813) had decreased by $28 per month. Among both groups, income from AFDC had dropped slightly ($6 per month for urban interviewees; $18 per month for suburban interviewees). Income from wages had increased for urban interviewees by $71 a month to an average of $760. On the other hand, it appeared that wages of suburban interviewees had declined somewhat ($17 per month) to $702, although in both cases the FU wages from employment were still greater than the TOL wages from employment for all recipients. Food stamp income reflected little change. Overall, no dramatic changes were observed in TOL to FU income patterns.

- <u>Income Supplements</u>

Among both groups of FU interviewees, the percentage receiving housing assistance had increased 5 percent from TOL to 48 percent among urban and 54 percent among suburban recipients. On the other hand, the percentage of both groups of FU interviewees receiving a child care subsidy had declined. Among urban interviewees, 15 percent received a child care subsidy at FU (a 7 percent decrease since TOL). Among suburban interviewees at FU, 13 percent received a child care subsidy (a 4 percent decrease since TOL).

- <u>Expenses</u>

For both groups of interviewees, monthly expenses appeared to increase between TOL and FU. For urban interviewees, the increase was $65 (from $684 to $749). For suburban interviewees the increase was more, $119 (from $660 to $779). For urban interviewees there appeared to be a decline in rent costs which was primarily offset by increases in utilities, food, and transportation costs. The suburban recipients reported increased utility and child care costs (the average was $267 per month, compared to $119 for urban interviewees). This data appear to reflect a rise in living expenses and work-related costs during this period.

- Debts

The indebtedness of interviewees was similar at TOL and FU. Again, the highest proportion of both urban and suburban groups was related to utilities and telephone payments. One-fifth (20 percent) of urban interviewees and 12 percent of suburban interviewees were behind in rent or mortgage payments.

The Loans and Loan Repayment

The purposes of the interviewees' loans mirrored those of all recipients from each geographic area. Almost two-thirds of suburban interviewees made regular loan payments, compared to 43 percent of urban interviewees. Only 8 percent of suburban interviewees had no payment on their loans, compared to 22 percent of the urban interviewees. The average repayment rate of suburban interviewees was 74 percent. For urban interviewees the repayment rate was 47 percent. Only 5.4 percent of suburban interviewees, compared to 23 percent of urban interviewees, said that it was "very hard" to make loan payments.

When asked what prevented regular payments or any payments, the most prevalent response among urban recipients was that they were behind on bills, followed by loss of income, and unexpected "crisis-costs." Among suburban interviewees, the responses were almost evenly divided between behind on bills and loss of income, followed by more expenses and "crisis costs."

Interviewees' Perceptions of the Loan Program's Value

When asked if the loan had helped their credit rating, 25 percent of the urban interviewees and 46 percent of the suburban recipients responded affirmatively. Interviewees were also asked if the loans had helped with their employment in any way. Almost 60 percent of the suburban interviewees thought the loan had helped with employment; almost 40 percent of the urban interviewees shared this perspective.

Interviewees were asked if, in general, things were better, worse, or about the same since receiving the loan. Almost 60 percent of both groups responded that things were better. Only 10 to 12 percent of the interviewees said things were worse. Approximately 70 percent of both groups thought the loan had played a role in the primarily positive change in "things in general."

Interviewees were also asked if they would prefer that the program be a grant rather than loan program. Almost 70 percent of the suburban interviewees thought it should remain as a loan program, compared to 56 percent of the urban interviewees. Those who would prefer a grant program related their reasons primarily to the difficulty in repaying loans when one's income is so marginal. Those who were behind in repayments expressed feeling guilty about it. Those who preferred a loan program spoke of the feelings of pride, self worth, and self respect to be gained, as well as a sense of responsibility and wanting the program to continue to help others.

Interviewees were asked about positive and negative things about the loans. Many women mentioned that the loans had helped with their transportation problems and, consequently, made continuing in their jobs or school possible. Others saw the loan as providing some security when they faced eviction or a utilities shut-off. Interviewees also felt the loans helped "take the pressure off" and enabled them to get on a budget and manage their finances better. Some typical positive comments about the program were:

> "I wouldn't have had a place to stay without the loan."
>
> "It helped get my debts straightened out, increased my self-esteem, and lessened a lot of stress."
>
> "It gave me self-confidence."
>
> "People were there when I needed it. This was my last chance for help."
>
> "I have a working car now which helps me feel good about myself."
>
> "It helped me meet my goal to get off welfare and gave me courage to get a job."
>
> "Getting a car helped day care be available."

Many women responded that they had no negative comments about the loan. However, some referred to feeling bad about their inability to repay the loan and spoke of the loan as a burden added to an already difficult financial situation. Some stated that the purposes of the loans were too narrow, indicating some perception that the purposes of the loans were restricted (perhaps more so than is the case). A few women were critical because the cars they had purchased broke down relatively quickly. Some typical negative comments about the program were:

> "There are more bills to pay now."
>
> "There's too much red tape to qualify."
>
> "The application was too time consuming."
>
> "I feel guilty about not repaying it."
>
> "The car I purchased was a lemon--it cost double in repairs."

<u>Interviewees' Recommendations for Changes in the Loan Program</u>

A large portion had no suggestions for change. Those who did, mentioned that the approval process took too long and should occur more quickly. Others thought the loan limit was too low for a car purchase, or that loan amounts and purposes should be less restricted. A few objected to the checks being made out to two parties--the recipient and the vendor of the merchandise or service.

PROFILES

The aggregate statistical and demographic data from the second year of the loan program's existence reveal the broad outlines of this cohort of single parents who are committed to preserving a strong attachment to the labor force and economic independence for their families. The following brief vignettes* convey, in more personal detail, the varying circumstances of their lives.

- L.T. is a young, white woman who had previously worked at Target as an assistant to the manager, earning $10,000 a year. She became pregnant and subsequently gave birth to a daughter who is now three years old. L.T. is unmarried. She has resisted seeking help from the father of the child, since she does not approve of him or his behaviors and does not want the entanglements that child support might bring. For this reason, she has not applied for an AFDC grant which mandates naming the father for child support reasons. The detailed information on sexual behavior which is part of the AFDC application was strongly offensive to her.

  L.T. is resolute in her plan to finish college, maintain her personal independence, and plan for the future, which includes entry into a professional career.

  She manages to scrape along barely on money that she earns as a self-employed house cleaner, cook, and "nutrition guidance counselor." Altogether, she pieces together various jobs that provide $200-$300 a month income. Other supplements to her earned income are food stamps and child care assistance from the county. However, the major and

*Derived from interviews with loan recipients, in April 1987, selected as "representative" by loan coordinators at the four sites.

indispensable item is her Section 8 housing. She receives a very large subsidy because of her very low income and pays only $62 a month for an excellent, two-bedroom apartment. This safe, clean, attractive apartment is clearly a joy to her and enables her to keep afloat with her minimum income.

However, L.T. literally has almost no furniture. She has a mattress, a bed for the child, table and chairs, and very little else.

She actually sold off her furniture, her stereo, her TV, and anything else she could put her hands on that she owned, in order to pay hospital debts accrued from the birth of the baby. She still has an outstanding debt, and, from time to time, approaches the father of the child to assist with some of the payments.

L.T. heard about the loan program from a newspaper story, and has, to date, received two loans--both to keep her transportation going. Her car, a '71 Volkswagen, is in chronic need of repair.

L.T. is a spirited, highly motivated, and competent young woman. She is quite willing to put up with an extremely marginal life in the short term because she feels her future is going to be secure. Once she has a college degree, she feels she can establish herself as a cook and nutrition counselor and make a comfortable income. She is in the process of developing an excellent referral system through a number of chiropractors in the suburban area. Her entrepreneurial spirit is intact.

This is not to say that her marginal lifestyle does not take its toll. "It would be really nice to go to the store and not count your food stamps at least three times to see if you can pay for what you have."

"I have that knot in my stomach when I realize that I'm at the edge--I have no money for food, and there is an electric bill due."

L.T. is an enthusiastic advocate for the loan program. She describes it as "one of a kind," and sees it as an extremely important resource for women in her position.

- V.R. is a black woman with a daughter aged 15. She had been on AFDC for almost eight years, struggling to achieve training that would give her access to a job with a liveable wage. Through CHART's job counseling program, she did find a job several months ago and now works as a secretary/typist at $8.37 an hour. This job is in the suburbs and transportation immediately became a serious problem. The McKnight Loan Fund enabled her to purchase a car. With child support and her job, her economic circumstances now have changed remarkably. She has been able to pay back the loan, and her enthusiasm for this loan project is unbounded. "You can't beat it." "It worked so well for me."

  V.R. states that her interest in maintaining her job is important because she wants to be "a role model" for her daughter. The job has also created a new kind of life for her. She speaks of the dignity and pride of economic independence, and her pleasure in being in control of her life.

- L.O. is a very attractive, young white woman who is the mother of two out-of-wedlock children, ages eight and five. These children have different fathers. Paternity has been established for the first child, and some child support, on a somewhat irregular basis, is received. The father of the younger child has created enormous difficulties for the mother. L.V. states he is a severely drugaddicted person. Because of threats, he is under a restraining order, but still attempts to invade her privacy.

After having been on AFDC for several years, L.O. proceeded with a series of grants to achieve a degree from North Hennepin Community College as a computer operator. She has now held a job for three weeks, earning $6 an hour, which will go up to $7 in ninety days. She describes the job as "wonderful." She has a good health plan with her job. "My kids are happy, and I am happy."

L.O. describes her great satisfaction in being freed from the bureaucratic red tape which the complex regulations of AFDC require, and her determination to keep this job at all costs.

L.O. has had two loans from the fund. The first was for a car, and the second for repairs. Transportation is essential for her to deal with her job and her child care responsibilities. Public transportation in the suburbs is described as being almost totally nonfunctional if one has to work and get children to day care.

She is receiving a rent subsidy in the Section 8 program, a two-bedroom apartment which she describes as "really nice," for which she pays only $137. "If it wasn't for that, no way....I would be sitting at home, twiddling my thumbs." She also receives a subsidy for child care.

L.O.'s urges that the loan fund be maintained. She feels it is "great the way it is." She is particularly enthusiastic about the way it is presently administered, with a minimum of bureaucratic red tape.

L.O. see herself as an achieving, hard-working, highly-motivated person. She feels the loan fund is an important resource for persons such herself who are determined to maintain their independence despite financial crises.

- E.K. is a young, black woman with one child who had been on AFDC. She is presently working as a statement clerk at a bank, earning $5.61 an hour, a job she achieved through the WIN program.

  She works every day and every hour of overtime she can acquire in order to try to make ends meet. But, she states, "I am in desperate need almost all the time."

  She applied for a loan when she was, in her words, "at my wits end." She had moved from a very unsafe and filthy environment into an apartment where the rent was $450 a month. It was, she stated, "clean and decent," an important and valued shelter for herself and her child. But this produced a crisis. She came to get some help in paying rent in one particular month when she was especially hard-pressed and desperate not to be evicted.

  E.K. states her friends at work are very generous and supportive, often lending her small amounts of money--$5, $10, $15 to tide her over in-between paychecks. Her mother is in a board and care facility. She is on her own. She does have health insurance through her job, but she cannot get food stamps because her income is now above the eligibility level. She regards this as an unnecessary hardship, since she sees people around her who are not working as hard as she is, and some not working at all, who are receiving this additional source of help. She is getting housing assistance and reduced lunch for her child.

  E.K. has few sources of additional cash income to her $5.61 an hour job. She receives no child support because the father of her child is unable to pay any.

  In speaking about the condition of her life, E.K. says "I work terriby hard. I feel I do deserve a telephone, a TV, and to buy some new clothes for my child. It is hard to anything with practically nothing."

E.K. uses public transportation. Even though she has very little chance of improving her situation because there are no career ladders that she can perceive at the bank, she states that she would never quit her job. It makes her feel good to be working, although she is desperate from time to time because she cannot keep her head above water.

Because she has to be at work at 6:30 in the morning, she has to pay for morning care for her child. But she prefers this because she is home at 2:30 in the afternoon--"I feel it is better for me to be home then to make sure my child is safe."

What she valued most about the loan fund was how quickly and efficiently the response was made, and furthermore, there was no harassment when her payback was slower than she had anticipated. "The loan feature is fantastic. That is the way it should be given, with a sense of responsibility for payback." E.K. states even if it is a deferred responsibility, the loan should be repaid. The important part of getting the loan was the way the loan coordinator treated her. "It wasn't somebody who was sitting in judgment and making me feel bad about the fact that I wasn't earning more money."

- M.L. is a young, white woman living in the suburbs with a two-year-old child. She is unmarried.

M.L.'s story is full of the tension, overburden, difficulties, barriers, and constraints that she has suffered over the past four years as she struggled to maintain herself at school and get her college degree. She feels the college degree is the key to any kind of life she is going to make for herself and her child. She had been bartending at night and going to school during the day.

When she applied for a loan, she had depleted all of her sources and was now seriously debt-ridden. M.L. needed a brief respite in order to begin a job search.

She cannot get any help from her family. M.L. states that she came from an abusive family that still continues to offer nothing but criticism and a reminder of the abusive environment in which she grew up. "I'm having a terribly hard time." She wonders if she would have been better off if she had simply not gone to school, but accepted AFDC as a way of remaining at home to care for her child.

She states that the medical assistance policy in her county of residence has been very ungenerous. Her child had an accident at a family day care home, but medical assistance would not pay for the emergency treatment that he needed.

She does not have access to subsidized child care, but her housing assistance is a boon. She has a two-bedroom apartment, with Section 8 assistance, and pays $137 a month. She is enthusiastic about her apartment, and says it is the one excellent thing about her circumstances.

Because she is in deep debt but hopes to be in a job search that will lead to decent employment, she recommends that the loan be on a deferred basis. Actually, she feels a grant would be important for her situation. She worries about her increased indebtedness with the loan.

CONCLUSIONS

Referring to the four questions that shaped this evaluation, the data suggest the following:

1. It appears from this evaluation, as well as from the evaluation of the program's first year, that the presence of housing assistance, which frees up some income to be used for discretionary purposes, is a key factor in stabilizing the incomes of loan program recipients. Second, the crucial need for transportation to obtain or maintain employment or to participate in further schooling or training is apparent by the number of loans used for transportation-related purposes. Third, access to various sources of augmentation of employment income, such as AFDC, housing assistance, a child care subsidy and food stamps, appears to greatly enhance the stability of recipients' situations and indicate that a loan is useful in responding to unusual circumstances.
2. Urban and suburban loan recipients survive on marginal incomes and share many characteristics, including a substantial amount of indebtedness. Some differences did emerge which are enumerated in the findings of this evaluation. However, some major differences were seen in terms of the racial composition of the groups of recipients of the two programs, in marital status, and in post high school education. While black recipients were the majority of the urban loan recipients, there was a substantial proportion of white urban recipients. Almost three-fourths of the suburban recipients were white, but black recipients did receive loans in the suburban programs. A high proportion of the urban recipients were never

married. Conversely, the highest proportion of suburban recipients were divorced. The post high school education of both groups was similar except that a higher proportion of suburban recipients were graduates of two-year college programs or vocational-technical schools. An additional difference was seen in the higher proportion of suburban recipients who received housing assistance. Both groups received child care subsidies to the same extent.

3. Four features are important to the effective administration of a loan program.

   - Placing the program within a multi-service agency which either provides or has links to related services such as financial counseling and information and referral.
   - Identifying a loan coordinator who is familiar with single parent experiences and has a good grasp of community resources.
   - Selecting a loan committee with representation that reflects experience and knowledge of single parents. Among the representatives (at least four), one should be from the county human services agency to provide knowledge of resources available under the broad-based program of the county; one from the private social service agencies; and at least one low-income single parent who has either been a client of the program or the agency. It is essential that the committee operate anonymously. While there may be turnover, some continuity should be preserved. Inasmuch as wide discretionary judgements are encouraged, a certain wisdom is gained through experience in assessments of loan applications.

- Having available a grant fund or knowledge of community resources for "emergency" funds permits the criteria for loans to operate with greater clarity.

The four programs operated with some of these characteristics, but only one program managed to embrace all four features. All programs operated with an anonymous loan committee, although representation differed. They all appeared to function in a timely and efficient manner.

Meetings of coordinators to exchange information on such items as resources, verification activities, and repayment practices were somewhat irregular.

The experiences of the second year with anonymous loan committees affirms their common sense judgements. Usually, they used flexibility and intuition, skillfully, assessing the validity of the applicant's situation. Generally, they were astute in recognizing a persistent pattern of insufficient income which required a response other than the loan fund.

Particularly noteworthy is the fact that in the urban programs where the dimension of need was almost at a crisis level, higher risks were taken in awarding loans and this, of course, is reflected in the lower repayment rates.

4. The data do suggest important clues for policy and programs. The McKnight conference on "Struggling for Self Sufficiency on Low Wages," Spring Hill Center, January 1987, organized to focus attention on policy and program issues, was the first and most important step in this direction. A follow-up conference on potential responses of local institutions further refined goals that

could be implemented, particularly around including low-income working single parents as a target population for social services planning and foundation concerns. These activities laid the basis for continuing attention to the issues exposed by the loan programs.

DISCUSSION

The data from the findings give us a somewhat detailed picture of the adaptations of a growing proportion of single parents with dependent children who remain poor despite their work efforts. This cohort, on the first slippery rung of the ladder of self-sufficiency, are caught in the crossfire of their own changing expectations of "moving up," the realities of continuing economic deprivation, and the random events which destabilize their lives in persistent ways. By using the ability to pay back the loan (a relative modest payment schedule, $20 per month over a two year period) as a measure, we were able to make critical distinctions among the loan recipients: those who could repay at least half of the loan, "the copers;" those who could only pay half of their loan or less, "at risk;" and those who failed to make any payments, "going under." They are all, however, at the economic margin, living in fragile household economies.

The condition of this entire cohort is neither fully understood by policy makers and program developers nor are their hardships sufficiently appreciated. Among the variables which profoundly influence the lives of these single parents and their children we have selected three which illustrate the barriers to genuine self-sufficiency.

THE AFDC CONNECTION

The reliance of a significant number of loan recipients on AFDC as a source of income supplement raises serious personal and public policy questions.

For the single parent, the combination of work and welfare may be the worst of both worlds. From the world of work, their stress from insufficient income is compounded by the pressures of finding and maintaining child care, responding to child rearing demands, dealing with crises of shelter and getting food on the table. When they interact with the AFDC system, every change in hours and pay and "resources" must be reported monthly for a recalculation of benefits, a time-consuming task in itself. The combination of work and welfare suggests intense pressures and overburden.

The choice of severing connections with AFDC is, however, not always realistic. AFDC maintains access to Medicaid, health services for their own and their children's needs, some child care subsidy, and even a housing subsidy. A single parent with one child would have to earn $10,584 to replace an AFDC grant, plus food stamps and Medicaid. In order to replace an AFDC grant, medical assistance, food stamps, energy assistance, and a housing subsidy, at least $12,480 would have to be earned. The mean income of $9,636 for urban and $10,200 for suburban loan recipients explains the necessity of making the linkage to AFDC, as onerous as that may be.

For public policy, the complex interplay of work and welfare has produced unintended consequences. A work incentive policy has been designed, known as "30 and 1/3," an income disregard in which AFDC subtracts the first $30 of earned income and 1/3 of the remainder from the woman's gross wages before calculating her grant reduction. In Minnesota, the "30 and 1/3" is maintained for the first twelve months after a job is started (30 and 1/3 for four months and $30 for the remaining eight months, plus $75 for work expenses and up to $160 for child care). Currently, in Minnesota, a wage of $4.63 per hour disqualifies a single parent with one child from the supplementary help of AFDC. If a working mother puts a ceiling on her earnings (approximately $10,000 a year), she may acquire approximately $4,000 in a supplement from AFDC, and thereby acquire a low level of income that will lift her family above poverty. However, should she increase her hours of work or be granted a slight promotion, she will lose her $4,000 augmentation, and the economic status of her family will suffer a significant alteration. The paradox of having a slightly improved earnings capacity that triggers the penalty of loss of health care and a child care subsidy is what is called the "notch" problem, and as we shall see in the recommendations section, compels a more rational response to the issue of augmentation for low-income earners.

The work/welfare connection has produced a densely complicated interplay. An instructional bulletin issued by the state to counties[7] as a guide to implementing the changes in AFDC and work incentives contained in the 1984 Deficit Reduction Act is seventeen pages long.

Indeed, the policy explaining the relationship of working parents to the AFDC program is not well understood by the public; it causes misinterpretations by administrators; and it is full of confusions and uncertainties for low-income, working single parents.

The public/private "partnership" in which AFDC has come to be used as a supplement to the private service sector employing women at low wage levels in jobs that are part-time and disconnected from benefit systems is not clearly acknowledged in public debate. Nor is the anomaly clearly understood that women who struggle to maintain their independence on wages alone are frequently more disadvantaged, economically speaking, than those who rely entirely on AFDC.

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[7]See State Instructional Bulletin, 84-76 issues in 9/24/84. For a detailed discussion of the interaction of work and welfare, see Aid to Families with Dependent Children, Office of the Legislative Auditor, State of Minnesota, January 1987, Veterans Service Building, St. Paul, MN 55155, pp. 91-111.

HOUSING

As our data show, loan applicants are chiefly renters. The availability of a housing subsidy is crucial to their economic survival. A proliferation of studies have exposed housing as the greatest source of difficulty for single parents in the inner city. The loan recipients in the inner city reported from time to time that the high cost of their rental housing forced them into cutting down on other basic needs of food, health care, and child care. Housing-related loan applicants spoke of evictions; damage deposits not returned; and deteriorating housing conditions such as cockroaches, broken windows, broken plumbing, and unsafe neighborhoods. The depletion of available subsidized housing is felt more intensely in the urban neighborhoods since the competition is intense.[8] Indeed, a smaller percentage of urban loan recipients had housing assistance in the second year of the program. There are differences in both the availability and the perception of the quality of housing that is available: inner-city residents, generally, state the are in poor housing situations, compared to the suburban group.[9]

Loan coordinators in the inner-city agencies report that a certain portion of families, because of financial constraints and the absence of alternatives, are moving into housing that is unsafe and unsanitary. Sources of housing assistance for damage deposits are more available to the suburban group. These funds, located in scattered locations for inner-city residents, are quickly depleted and are, presently, nonexistent.

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[8]Information from the metropolitan HRA, 1986 Subsidized Housing in the Twin Cities Metropolitan Area, Publication no. 450-86-109, November 1986.
[9]Christine C. Cook, Components of Neighborhood Satisfaction: Responses from Urban and Suburban Single-Parent Women, University of Minnesota, 240 McNeal Hall, St. Paul, MN 55108.

As the findings revealed, the cohort of loan applicants are a highly mobile group; 58 percent are relatively new arrivals to their neighborhoods, i.e., did not live more than eighteen months at their current address (only a small proportion are homeowners).

The precise numbers of "urban nomads," the inner-city families that are repeatedly on the move, could not be grasped, although the phenomenon was reported by the inner-city program coordinators. A certain portion of families known to the coordinators move every month: "the stove blew up," "a gas leak," are given as conditions requiring an immediate move. Some, reportedly, move every month to avoid bill collectors. This appears to be a group that has lost its family support systems. The second year requests for loans are coming from single parents who are in temporary shelters in emergency programs such as church basements, the "Y," etc. We note that half of the loan recipients not reached for telephone interviews had disconnected phones.

An ongoing struggle to be safely housed at an affordable rent is the story of inner-city loan recipients. The suburban group fares measurably better in having their housing needs met.

TRANSPORTATION

While "catastrophic illness" may be the spectre that haunts the elderly, "catastrophic cars" is the nightmare of young low-income single parents who work.

The data on transportation-related loan uses reveal the importance of having a car for the myriad of tasks that must be attended to in addition to getting to the workplace on time.

In interview data, buying a car, having one repaired, or getting insurance were frequently mentioned as the single factor that improved one's life situation. This was particularly true for the suburban group because the public transportation system is not a useful alternative. When announcements are made that new firms are hiring, or old firms are re-calling layoffs, the car is the core ingredient for the job search and maintaining a job.

Perhaps transportation is the most troubling issue for a community response. Obtaining a used reliable vehicle is problematic. Costs of repairs are skyrocketing. The stories of "lemons" abounded. Maintaining insurance is difficult for marginal budgets. Transportation-related loans continued in the second year to be useful, especially for suburban residents, but the problems associated with secondhand cars persisted.

The lack of discretionary income (income left over after expenditures for basic needs of food, shelter and clothing) to meet the costs of working, child care and work-related expenses, produces the financial crunch for working single parents. This is sharply exposed in the loan uses for utilities. For the inner-city group this was the highest source of their indebtedness, followed by housing and credit card debts. The indebtedness pattern for suburban loan recipients was also utilities, followed by credit cards and past due car payments.

Child care does not emerge as a high debt-related factor since this cost comes "off the top." Moreover, there appears to be some evidence that urban recipients relied on the unpaid services of relatives and friends for child care to a greater extent than their suburban counterparts.

Certain events, seasonal for the most part, triggered an increase in requests for loans: holidays, particularly Christmas; school opening for children; AVTI enrollment; increased need for child care in the summer months. The end of the moratorium on utility shut-offs, which is in force from November 15 to April 15, is a crisis of major proportions.

Random events persistently disrupted the lives of loan participants, threatening their attachments to their jobs and job searches. As single parents, they had few family resources to step in and take over at times of emergencies. A significant portion of loan recipients reported health problems of their children: chronic illness, disabilities, hospitalization for emergencies and accidents. Their own health problems also interferred with job continuity. Pregnancy and childbirth were reported by several working mothers in this child-bearing cohort.

The cohort, generally, lived with the constant threat of layoffs, with little or no savings to tide them over, and meager resources available from family and kin.

On the whole, the inner-city residents appeared to be more crisis-ridden and have fewer resources available to help them cope. In the inner-city agencies, waiting lists for appointments for loan applicants were common and a waiting period of six weeks was not unusual.

RECOMMENDATIONS

Three levels of strategies should be mobilized to respond to the issues uncovered in this evaluation.

FEDERAL

How to augment the low incomes of working single parents in order to provide a stable level of income sufficiency for their families is a dominant issue for the remaining years of this century. There is a growing recognition that low wages and an absence of fringe benefits will be the underpinnings of jobs in the service sector for the foreseeable future.

The erosion of the "family wage" is amply reflected in median wage levels of single parent families. For several decades it has been assumed that the deficiency of income from work will be made up, in the case of single parents, by supplemention from AFDC and a patchwork of in-kind income, from various other programs.

The confusions, perplexities, interactive consequences, and bureaucratic muddles of linking the welfare system to the work for wages system have occupied policy makers for almost fifty years, resulting in five decades of tinkering with work incentives, rewards, and penalties.

Finally, a debate is beginning to emerge on "unhinging" from welfare the supplementation to low paying jobs.

To continue to link Medicaid eligiblity and a share of child care and other supplements based on AFDC eligiblity contributes to the disturbing conclusion that those who work, even full-time, may be worse off than those who do not.

Several strategies are currently being suggested in a beginning debate:[10] a children's allowance strategy, available to all children but repaid through the tax structure for low-income families; a strengthened child support enforcement system; a national health insurance scheme; the use of the tax structure for a negative income tax strategy. The benefits from these programs should not rely on an AFDC connection.

Easing the eligibility standards for such in-kind benefits of food stamps and housing assistance could also be relevant to working single parents. Two-hundred percent of the poverty level is suggested.

STATE

Several initiatives were taken in this last legislative session that could be beneficial to the cohort of this study (see Appendix 3, Legislative Changes in 1987).

The housing subsidy program needs particular attention.[11]

Our recommendation is that low-income working single parent households be placed at the head of the queue for housing subsidies in all programs.

A task force is in order to follow this cohort and the interactive effects of various sources of supplementation, to ensure that a slight rise in wages does not create unintended penalties.

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[10] See, for example, Single Mothers and Their Children, A New American Dilemma, Irwin Garfinkel and Sara S. McLanahan. Urban Institute Press, 2100 M Street N.W., Washington, D.C. 20037.

[11] For specific strategies see Housing for Low Income, Working Single Parents, Thomas P. Fulton, Minneapolis/St. Paul Family Housing Fund, available from The McKnight Foundation.

LOCAL

- Loan funds should be established in various settings: multi-purpose agencies, AVTIs, and, most importantly, at work sites. A new perspective on the role of the workplace in the social protection system is long overdue. If the demand for low-income labor is as unremitting as predicted, then loan funds are in order for transportation, housing, utilities, and other crises that could disrupt attachment to work. In a policy sense, the corporate sector should investigate this as a cost of doing business, an item that is frequently used to justify a range of expenditures for other employees.
- A representative panel for the anonymous loan committee might include, in addition to client representation and social agency personnel, persons from the corporate sector, particularly banking and insurance, where a significant portion of the cohort of single parents work.
- Criteria for loans will continue to be refined within the McKnight program. A category of <u>deferred loans</u> should be initiated. In some circumstances, such as completing school, the first year of employment is usually debt-ridden. In the second year, repayment may be more realistic.
- The availability of a grant program to respond to deteriorating economic conditions for a portion of the cohort is indispensable.
- Procedures, modification of eligiblity, sources of additional financial assistance, changing program eligibility (housing, food stamps, etc.), are in dynamic change. A regular meeting of loan coordinators in the McKnight program should be instituted, perhaps every six weeks.

- Self-help workshops for loan participants to exchange information and for mutual support should be organized.
- Transportation will need short and long term solutions: donations, stipulating the car to the custodial parent in a divorce settlement, cooperative reconditioning centers, leasing arrangements authorized by the workplace, are all ideas which deserve exploration. A task force to study these issues is in the process of being formed and this should be pursued.
- The development of credit unions with this specific cohort in mind should be explored.

Finally, working at low wages may be the only realistic alternative to public assistance, but it is clear that monitoring what happens to these families, and the role of the workplace in accepting some responsiblity for assisting these families, is vitally important.

APPENDIX 1

HIGHLIGHTS OF

AN EVALUATION OF THE MCKNIGHT LOW-INCOME SINGLE PARENT LOAN PROGRAM

The McKnight Single Parent Loan Program was established to provide interest-free loans (typically at a maximum of $500) for low-income single parents who were engaged in paid work, an active job search or in a job training program. An anonymous volunteer loan committee comprised of professionals, paraprofessionals from community agencies and former clients of each host agency, reviewed applications and selected recipients based on program criteria.

This evaluation was initiated to determine the role a loan fund can play in enabling low-income single parents to obtain and retain employment and to deal with crises that may affect their economic and family stability. The data presented here represents the first year of the program from July 1984 to August 1985.

LOAN RECIPIENTS

- Out of 917 applicants, 523 (57 percent) received loans.

Demographic Characteristics

- Single parents who received loans were predominantly Black women in their late 20s and early 30s.
- Well over one-half had only one or two children; the average age of children was 9 years; almost one-third were of pre-school age.

- 39 percent had some college education; one-third were high school graduates and only 13 percent had less than a high school education.

Employment and Earnings

- 63 percent of the loan recipients were employed at the time of application for a loan.
- Recipients were typically employed by businesses (51 percent); by the service sector (22 percent); or by governmental units (10 percent).
- Typically, the jobs were at the low end of the wage scale, with job descriptions such as typists and clerical workers, clerks and cashiers. Paraprofessional and aide positions were also represented in significant numbers.
- The mean net monthly income from wages was $679, or $8,148 annually.
- Of the employed recipients, 58 percent had been in their current job one year or less.

Income Sources

At the time of the loan, in addition to wages:

- 56 percent of the loan recipients received AFDC benefits.
- 50 percent of the loan recipients received foodstamps.
- 39 percent of the loan recipients supplement their low-incomes by housing assistance.
- child support payments were received by less than 10 percent of the recipients.

Almost 50 percent of those loan recipients who were interviewed received medical assistance.

LOAN DENIALS

Out of the 917 applicants, 394 (43 percent) were denied loans.

Profile of those Denied Loans

- Compared to the recipients, the children of those denied loans were somewhat younger, the families were slightly larger, and their incomes were slightly lower. A higher unemployment rate prevailed and more of the income came from AFDC.

FINDINGS

The Loans

- Loans ranged from $30. to $500. The average loan was $422.
- The $422 average loan represents 58 percent of the recipients' average monthly income.
- Most loans related to the major categories of transportation (42 percent), housing (30 percent); and utilities (17 percent).
- Within these major categories of loans, the predominant specific purposes were car purchases and repairs, rent and damage deposits and gas/electricity and telephone bills.
- The provision of a loan rather than a grant met with significant approval by the recipients.

Repayment of the Loans

Typically loans were to be repaid over a twenty-one month period.

- At the time of this report, 67 percent of the recipients had made varying payments toward their loan.

- 30 percent of the loan recipients had repayments rates of 50 percent or more.
- 33 percent made no payments.
- Common reasons given for falling behind in loan repayments were: increased indebtedness, income decline and emergencies.

Value of the Program as Perceived by the Recipients

- The loan program was uniformly valued by the recipients. They reported many tangible benefits such as the establishment of a positive credit rating and many intangible benefits such as some relief from the stresses of a crisis-filled life.

Status of Recipients at Six Month Follow-up Interviews

- 47 percent of the loan recipients were located for follow-up interviews.
- Of those interviewed, 61 percent were employed and 38 percent were unemployed.
- A high percentage of those interviewed had maintained their employment status and income level from the time the loan was received. A few had improved their income.
- Half of those who were unemployed were in a job search.
- Of those interviewed, two-thirds said the loan played a part in the stability or improvement of their overall situations; 57 percent said things were generally better for them after they received the loan; only 12 percent said things were worse.
- Of those who had a repayment rate of 50 percent or more, almost two-thirds received income from wages and almost one-half received a subsidy for housing costs. Their expenditures for rent/mortgage, utilities,

transportation, and child care were substantially lower than the zero-repayment group. Less than one-half of this zero-repayment group received incomes through wages, depended heavily on foodstamp assistance (using twice the amount of those who were able to pay back 50 percent or more). Further, they were more than twice as likely to be in debt to their landlords.

RECOMMENDATIONS

The loan fund should be maintained for those who receive a major portion of their income through wages and receive housing assistance to a degree that enables them to have a least $80. per month for disposable income--that is--this amount should be left over after meeting the basic needs of food, shelter and basic living expenses.

A grant program and other assistance is needed for those who rely chiefly on AFDC as a source of income and have expenditure patterns that seriously outpace their income. The loan from this program only adds to their indebtedness.

APPENDIX 2

INTERVIEW SCHEDULE

Interviewer ______________

Date of Interview ______________

Single Parent Loan Program Evaluation

Interview Schedule

______________ I.D. Number

______________ Month/Year of Loan

______________ Months Since Loan

Interviewers: Before beginning the interview, use the loan application and loan worksheet to fill in the information in the boxes. You will need to refer to this information throughout the interview. TOL=time of loan.

First, we would like to ask you some questions about your employment situation since you received your loan last ______________.
Month of loan

At the TOL: Employed? ____yes ____no (If YES) Employer: ______________ Position: ______________ After tax salary: ______________ Per ______________ week or month? (If NO) Currently job seeking? ____yes ____no Notes/Comments:

1. Are you currently employed? ____yes (continue q.#2) ____no (go to page 3)

(If YES)

2. Who is your employer? ______________
   (Job 2) ______________
   (Job 3) ______________

3. What is your job there? ______________
   (Job 2) ______________
   (Job 3) ______________

4. What is your take-home pay after taxes are taken out? circle one
   (Job 1) ____________ per wk/month
   (Job 2) ____________ per wk/month
   (Job 3) ____________ per wk/month

5. How many hours per week do you work?
   (Job 1) ____________
   (Job 2) ____________
   (Job 3) ____________

6. How long have you been employed there?
   (Job 1) ____________
   (Job 2) ____________
   (Job 3) ____________

CONTINUE ON PAGE 2

Interviewers:
All questions on this page pertain only to those who are currently employed. Ask the questions from section A or B, depending on the situation.

A. If currently employed and employed at TOL:

7. Is this the same job you had when you received the loan? ____yes (go to q. 8 & 9) ____no (go to q. 10 & 11)

[IF 7 IS YES]

8. Since you received the loan, have there been any changes in:

Note: If you see any apparent changes not mentioned, probe and follow up on them.

-your after tax salary? _____yes ____no

(if yes) was it an _____increase? _____decrease?

-the number of hours you work each week? ____yes ____no

(if yes) did your hours ____increase? _____decrease?

-your position? ____yes ____no

(if yes) What was the change?

-have there been any other important changes in your job? ____yes ___no

(if yes) What?

9. Have you had any other jobs since you received the loan? ____yes ____no

[If yes] How many other jobs have you had? _______

[IF 7 IS NO]

10. Why did you leave the job you had at the time you received the loan? (Check the appropriate reason(s) after the respondent answers)

____Got a better job

____Laid off

____Fired

____Quit
Why did the person quit?

____Other reasons (What reasons?):

11. Have you had any other jobs since you received the loan? ____yes ____no

[If YES] How many other jobs? _________

GO TO PAGE 4

****

B. If currently employed and unemployed at TOL:

12. Is this the only job you have had since you received the loan? ___yes ___no

[If NO] How many different jobs have you had? _________

GO TO PAGE 4

Interviewers: Ask the questions on this page if the respondent is currently unemployed

13. Are you currently looking for a job? ____yes ____no

[If YES] How is it going? [If NO] What is keeping you from looking?

Overall, do you feel ___encouraged about your job prospects?
___discouraged
___not sure

14. Are you receiving any unemployment benefits? ____yes ____no

[IF YES] How much are you receiving? $_________ per _______wk/month (circle one)

Interviewers: Ask questions in section C or D depending on the situation

C. If currently unemployed and employed at TOL:

15. Why did you leave the job you had at the time you received the loan? (Check the appropriate reason(s) after the respondent answers)

____To get a better job
____Laid off
____Fired
____Quit WHY?
____Other reason; What?

16. Have you had any other jobs between the time you received the loan and now? ____yes ____no

[IF YES] How many jobs have you had? _______

GO TO PAGE 4

****

D. If currently unemployed and unemployed at TOL:

17. Have you been employed at all between the time you received the loan and now? ____yes ____no

[If YES] How many jobs have you had? _________

Why did you leave your last job?
(Check the appropriate reason(s) after R answers)

____To get a better job
____Laid off
____Fired
____Quit WHY?
____Other reasons WHAT?

GO TO PAGE 4

HOUSING & HOUSEHOLD COMPOSITION

Now we would like to ask you a few questions abut your living arrangements.

At TOL:
____own ____rent
____house
____apartment
____other (what?)
No. of dependents______
Ages of dependents__________
Notes/Comments:

18. Are you living at the same place you were when you received the loan?

____yes (go to 19) ____no (continue)

[If NO]

How many times have you moved since you received the loan? ________

Why did you move to your present location?

Do you live in a ____house?
____apartment?
____other (specify)

Do you ____own?
____rent?
____some other arrangement (specify)

19. Would you say you feel satisfied, dissatisfied or something in between with your present house/apartment/other?

____satisfied
____dissatisfied
____ambivalent

20. How many adults live in your household? ________ (include R)

[If other adults] What is (are) the relationship(s) of the other adult(s) to you?

Does (do) she/he/they make a contribution to the family income? ___yes ___no

(If Yes) How much per month do they contribute? $__________

21. How many children live in your household? ________

22. Are you currently living with the same people you lived with when you received the loan? _____yes _____no

[If NO] What has changed?

23. How many dependents do you have other than yourself? ________

24. How old are your dependents? ________________

25. Think back to when you received the loan. Are your present living arrangements ____better ____about the same, or _____worse than they were then?

INCOME & EXPENSES

It would be helpful to us to know something about your current financial situation.

Income at TOL:	
AFDC	________
Child Support	________
Wages	________
Food Stamps	________
Other Cash	________
Housing Asst.	___yes ___no
Child care asst.	___yes ___no
Notes/Comments:	

26. Think about your income last month. I am going to mention several different sources of income. Please tell me how much you received from each source last month.

AFDC	__________	
Child Support	__________	(Amt. actually rec'd)
Wages (after tax)	__________	
Food Stamps	__________	
Other Cash	__________	(specify source(s))
"	__________	" "

27. Do you receive housing assistance? ___yes ___no [If YES] What Type?

Do you receive any child care assistance or subsidy? ___yes ___no
[If YES] From where?

28. Was last month a fairly typical month in terms of income? ___yes ___no
[If NO] Why not?

29. Is your current monthly income
___ a lot more
___ about the same
___ a lot less
than it was when you got the loan?

[IF a change...either more or less] What caused the change?

→ Interviewers: Follow-up on any apparent major income changes not mentioned.

30. Now, think back to last month, again. Could you tell me how much you spent for:

Expenses at TOL:	
Rent/Mortgage	______
Utilities	______
Food	______
Transportation	______
Child Care	______
Medical	______
Insurance	______
Loan Payments	______
Other (specify)	______
	______

Notes/Comments:

Rent/Mortgage	______	
Utililties	______	
Food	______	(incl. food stamps)
Transportation	______	
Child Care	______	
Medical	______	
Insurance	______	
Loan Payments	______	
Other (specify)	______	
	______	

31. Were last month's expenses fairly typical? ____yes ____no

[If NO] What was not typical?

32. Are your current expenses ____a lot more than when you received the loan?

____about the same

____a lot less

[If changed] What caused the change in monthly expenses?

→ Interviewers: Followup on any apparent major changes not mentioned.

33. How do you pay for your family's health care? [Get info. on R & Deps.]

34. Could you tell me about your child care arrangements?

Who takes care of your children?

How much does child care cost each month?

35. Are you behind on any of these monthly bills?

	Yes	NO
Rent/ Mortgage	______	______
Car payment	______	______
Utilities	______	______
Phone	______	______
Credit cards	______	______
Bank Loans	______	______
Other bills? (specify)	______	______
	______	______

36. Do you have any other outstanding debts? ____yes ____no

[If YES] What?__________________ Are you behind on these payments?

What?__________________ Behind on payments? ___yes ___no

36a. Do you owe family members any money? ___yes ___no

DEMOGRAPHICS

37. There is some information about you which we don't have which would help us know who received these loans.

What is your age? __________

What is your race? __________

Male/Female? ______________

What was the highest grade or level of education you completed? ______________

Which of these describes your current marital status? ____Married ____Nvr married ____Sep. ____Divorced ____Widowed

Has your marital status changed since you received the loan? ___yes ___no

Are you currently in any employment training program? ___yes ___no

[If YES] What program is it?
For what purpose?

LOAN PAYBACK

→ Interviewers: Circle correct option before interview.

Repayment record from files:

Amount of loan $________

Monthly payment $________

Total monthly payments to repay ________

Date monthly payment scheduled to begin ________

Total no. payments made ________

Total no. payments should have made ________

%payments made to date ________

Notes/Comments:

As you know, this is a loan program which involves a monthly repayment. According to the information I have it appears that: (choose correct statement)

a. you have regularly made payments of $________.

b. you have sometimes been unable to make your monthly payment.

c. you haven't been able to make your monthly payments.

→ Interviewers: Ask the question that corresponds to the option circled above.

38.
a. How difficult has it been to make regular payments?

____very difficult

____difficult sometimes

____not difficult at all

b. What has prevented you from making regular payments?

c. What has prevented you from making any payments?

39. Would you prefer that this program be a cash grant which did not have to be repaid rather than a loan which you are supposed to repay?

____yes ____no

What are your reasons for answering this way?

40. What have been the positive things about receiving this loan?[Probe]

41. Has receiving this loan helped you establish a credit rating? ____yes ____no ____DK

42. Has receiving this loan helped you with your employment in any way? ____yes ____no
[If yes] How?

43. What have been the negative things about receiving this loan? [Probe]

44. Think back about the way you heard about the loan program, the application process, and your experience with this program. Would you change anything about the loan program or the way it operates? ____yes ____no (Probe)

[If YES] what would you change? [Get specifics]

45. Overall, since receiving the loan, are things in general ______better for you.
______about the same
______worse for you.

[If better or worse] Why do you feel this way?

46. Did receiving the loan play a part in the way you answered the last question? ____yes ____no

[If YES] How?

47. Is there anything else you would like to say about the loan program?

48. Do you have any questions about the interview?

APPENDIX 3

LEGISLATIVE CHANGES 1987

Initiatives beneficial to our cohort this legislative session included changes in health care subsidies, child care, and the Minnesota Tax Code.

HEALTH

A $20 million appropriation will extend medical assistance coverage to those with incomes up to 133 percent of the AFDC grant for families and children. This will provide coverage to approximately 15,000 children and 4,800 adults. Effective July 1988, families with income of under 185 percent of the poverty level will be eligible for low cost prenatal care including attendance at delivery and sixty days postnatal care. Families will pay the first $35 dollars. The rest is free. This does not cover hospitalization. The second part of this new program is comprehensive outpatient coverage for children up to six years of age. Covered medical services include medication, dental, appliances, and outpatient medical. Coverage does not include hospitalization, mental health, and chemical dependency.

CHILD CARE

Portions of a $26 million appropriation will fund child care resource and referral and the Child Care Facilities Act. However, the majority of the appropriation will assist families of up to 75 percent of the state median income with child care expenses on a sliding fee scale. The Children's Defense Fund estimates approximately 12,500 children will be served. The bill authorizes counties to prioritize who among the poor and low income will be served.

TAXES

Minnesota adopted, by reference, changes in the tax code to bring the state into conformity with the Tax Reform Act of 1986. These changes include creating a head of household schedule and the federal definition of taxable income. As a result, single parents will be treated as heads of household, rather than single persons. Changing the definition of taxable income means approximately 125,000 low-income Minnesotans will now be exempt from paying certain taxes. Social Security taxes remain.

In addition, although in reduced form, property tax credit and rent credit have been retained for our cohort group.